

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

HOUGHTON LAKE, MICHIGAN

MARCH 31, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

MARCH 31, 2008

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June 6, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Roscommon Township
Roscommon County
Houghton Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roscommon Township, Roscommon County, Houghton Lake, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roscommon Township, Roscommon County, Houghton Lake, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through xi and budgetary comparison information on pages 27-28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roscommon Township, Roscommon County, Houghton Lake, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Roscommon Township, a general law township located in Roscommon County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Roscommon Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$7,622,686. Of this amount, \$4,759,125 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,918,196 an increase of \$382,495 in comparison with the prior year. About 43% is available for spending at the Township's discretion.
- ◆ The Township's total debt decreased by \$78,961 during the fiscal year.
- ◆ The Township's sewer fund transferred its sewer system capital assets to the Houghton Lake Sewer Authority during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Both of the government-wide financial statements distinguish functions of the Townships that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township were \$7,622,686 at March 31, 2008, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Roscommon Township
Net Assets as of March 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current Assets	\$ 1,927,968	\$ 1,542,007	\$ 3,758,746	\$ 3,613,693	\$ 5,686,714	\$ 5,155,700
Non Current Assets						
Other Assets	0	0	38,727	93,910	38,727	93,910
Capital Assets	3,014,254	3,033,731	0	4,505,919	3,014,254	7,539,650
Less: Accumulated Depreciation	(811,437)	(737,438)	0	(1,629,310)	(811,437)	(2,366,748)
Total Non Current Assets	2,202,817	2,296,293	38,727	2,970,519	2,241,544	5,266,812
Total Assets	\$ 4,130,785	\$ 3,838,300	\$ 3,797,473	\$ 6,584,212	\$ 7,928,258	\$ 10,422,512
Liabilities						
Current Liabilities	\$ 90,709	\$ 84,562	\$ 0	\$ 0	\$ 90,709	\$ 84,562
Long-term Liabilities	214,863	296,505	0	0	214,863	296,505
Total Liabilities	305,572	381,067	0	0	305,572	381,067
Net Assets						
Invested in capital assets						
net of related debt	2,000,927	2,069,017	0	2,876,609	2,000,927	4,945,626
Restricted for Specific Purposes	862,634	658,230	0	0	862,634	658,230
Unrestricted	961,652	729,986	3,797,473	3,707,603	4,759,125	4,437,589
Total Net Assets	3,825,213	3,457,233	3,797,473	6,584,212	7,622,686	10,041,445
Total Liabilities and Net Assets	\$ 4,130,785	\$ 3,838,300	\$ 3,797,473	\$ 6,584,212	\$ 7,928,258	\$ 10,422,512

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$4,759,125 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township's governmental activities increased by \$367,980 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

*Roscommon Township
Change in Net Assets
for the Fiscal Year Ended March 31,*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 101,282	\$ 88,292	0	\$ 380,567	\$ 101,282	\$ 468,859
Operating Grants and Contributions	223,513	205,893	0	0	223,513	205,893
Capital Grants and Contributions	0	93,610	0	0	0	93,610
General Revenues						
Property Taxes	709,355	585,552	0	0	709,355	585,552
State Shared Revenue	296,996	300,777	0	0	296,996	300,777
Unrestricted Investment Earnings	62,827	64,272	147,261	143,249	210,088	207,521
Other	30,363	17,639	17,210	14,584	47,573	32,223
Total Revenues	1,424,336	1,356,035	164,471	538,400	1,588,807	1,894,435

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

*Roscommon Township
Change in Net Assets
for the Fiscal Year Ended March 31,*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Expenses</u>						
Legislative	\$ 75,407	\$ 117,998	\$ 0	\$ 0	\$ 75,407	\$ 117,998
General Government	272,398	238,769	0	0	272,398	238,769
Public Safety	242,641	291,558	0	0	242,641	291,558
Public Works	268,259	379,931	0	0	268,259	379,931
Community and Economic Development	20,703	19,507	0	0	20,703	19,507
Culture and Recreation	56,744	20,521	0	0	56,744	20,521
Other Functions	120,204	101,357	0	0	120,204	101,357
Interest on Long-term Debt	0	16,816	0	0	0	16,816
Sewer System	0	0	2,951,210	338,358	2,951,210	338,358
Total Expenses	1,056,356	1,186,457	2,951,210	338,358	4,007,566	1,524,815
 Change in Net Assets	 367,980	 169,578	 (2,786,739)	 200,042	 (2,418,759)	 369,620
 <u>NET ASSETS</u> – Beginning of Year	 3,457,233	 3,287,655	 6,584,212	 6,384,170	 10,041,445	 9,671,825
 <u>NET ASSETS</u> – End of Year	 \$ 3,825,213	 \$ 3,457,233	 \$ 3,797,473	 \$ 6,584,212	 \$ 7,622,686	 \$ 10,041,445

Governmental Activities

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$367,980 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Roscommon Township comes from property taxes. The Township levied a millage for fire protection, fire equipment, and road improvement, in addition to the operating millage, this fiscal year. The Township levied 1.2773 mills for operating purposes, and 1.4301 mills for fire protection, 0.4659 mills for fire equipment, and 0.4789 mills for road improvement.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Capital grants represent grant dollars, whether federal, state, or local, that the Township has secured in order to assist in capital asset construction and infrastructure improvement within the Township. The contributions received during the current fiscal year represents special assessments and related interest used by the Township for sewer purposes.

The Township's governmental activities expenses are dominated by general government expenses that total \$272,398. Public Works represented the next largest expense at \$268,259 followed by Public Safety at \$242,641.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. During the year, the Township transferred all of its sewer capital assets to the Houghton Lake Sewer Authority which is now performing all sewer functions for the Township.

The Sewer Fund is the Township's only Business-Type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Roscommon Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Roscommon Township's governmental funds reported combined ending fund balances of \$1,918,196. Approximately 42% of this total amount (\$819,571) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$178,425 which brings the fund balance to \$819,571. All the General Fund's fund balance is unreserved.

Fire Operating Fund – The Fire Operating Fund increased its fund balance by \$118,590 which brings the fund balance to \$620,259. This balance is reserved and must be used for fire protection.

Roads Fund – The Roads Fund increased its fund balance by \$8,510 which brings the fund balance to \$79,690.

Fire Equipment Fund – The Fire Equipment Fund increased its fund balance by \$77,305 which brings the fund balance to \$162,686.

The Township levied a fire, operating, road improvement and fire equipment millage on the 2007 tax roll. This resulted in \$218,856, \$195,472, \$73,289, and \$71,229 in tax related revenues during the current fiscal year respectively.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Trash Fund – The Trash Fund decreased its fund balance by \$335 which brings the fund balance to \$235,990.

The Township passed a trash special assessment, resulting in \$213,577 in related revenues in the current fiscal year.

Proprietary Fund The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of \$2,786,739.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2008, amounted to \$2,202,817 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

*Roscommon Township
Capital Assets as of March 31,*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 1,020,910	\$ 1,020,910	\$ 0	\$ 11,126	\$ 1,020,910	\$ 1,032,036
Buildings and Grounds	1,000,808	984,484	0	0	1,000,808	984,484
Vehicles	700,119	700,119	0	0	700,119	700,119
Machinery and Equipment	214,295	250,096	0	4,494,793	214,295	4,744,889
Furniture and Fixtures	27,705	27,705	0	0	27,705	27,705
Computer Equipment	50,417	50,417	0	0	50,417	50,417
	<u>3,014,254</u>	<u>3,033,731</u>	<u>0</u>	<u>4,505,919</u>	<u>3,014,254</u>	<u>7,539,650</u>
Less: Accumulated Depreciation	<u>(811,437)</u>	<u>(737,438)</u>	<u>0</u>	<u>(1,629,310)</u>	<u>(811,437)</u>	<u>(2,366,748)</u>
Net Capital Assets	<u><u>\$ 2,202,817</u></u>	<u><u>\$ 2,296,293</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,876,609</u></u>	<u><u>\$ 2,202,817</u></u>	<u><u>\$ 5,172,902</u></u>

Major capital asset events during the current fiscal year included the following:

- ◆ The purchase of building improvements amounts to \$16,324.
- ◆ Contribution of all sewer fund capital assets to the Houghton Lake Sewer Authority.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Long-Term Debt. Approximately \$78,961 of debt was retired during the current year through the scheduled payments and extra principal payments for the Township's debt. Total debt as of March 31, 2008, totals \$295,800 of which \$93,910 is inter-fund borrowing between the Sewer Fund and the Road Fund which enables the Township to loan money but pay interest to ourselves.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal years.

Known Factors Affecting Future Operations

Roscommon Township Lakeview Park

Roscommon Township was awarded a grant from the Michigan Natural Resources Trust Fund and has been given the approval to begin the design phase of the Lakeview Park located between Federal and Towerhill Roads on Houghton Lake. Roscommon Township purchased the property (previously a blighted structure) and was awarded the \$189,110 development grant which requires local matching funds of \$81,390. The park will be developed to allow handicap accessible fishing dock and other amenities on the lakefront property.

Roscommon Township Fire Operating and Road Millage Renewals

Two ballot questions will be on the August Primary requesting renewals for the Fire Department and the Road Maintenance Program. The Roscommon County Road Commission has implemented a new Road Software as a tool that evaluates the townships roads and developed an asset management plan for the township. Only 12% of Roscommon Township's roads are in good shape. 48% are in fair condition and 40% are in poor condition. Financial emphasis needs to be made on the roads in fair condition to stop further damage and prolong the life of the road. With the cost of oil, a large component of asphalt, it is imperative that the millage passes in order to maintain the integrity of the assessment management plan

Townships Taking on a New Role

Rebuilding Michigan's economy has to start locally. Local officials and residents can no longer sit back and wait for Lansing to get us out of this economic downturn. Roscommon Township will look into making our area a great place to visit, live and work. 1) The Township needs to go aggressively against blight. This will need a larger amount of funds for court costs, attorney fees and ordinance enforcement. 2) Parks provide a cheaper form of entertainment for families and visitors. Keeping our parks in top shape requires a maintenance plan and funds. 3) Trails in our community. With the high cost of gas, more people may be walking and riding bike.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Planning Commission Updates and Education

The new zoning laws will go into effect 2011 and the Township needs to educate the Planning Commission and ZBA of all the new changes. The Master Plan also will need updating soon.

Roscommon Township Going Green

Roscommon Township will look into alternative energy sources such as wind and solar. There will be an initial cost but over the years, this will provide a savings.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Roscommon Township at 8555 Knapp Road, Houghton Lake, Michigan 48629.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN
STATEMENT OF NET ASSETS
MARCH 31, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 1,732,740	\$ 2,251,268	\$ 3,984,008
Investments	0	1,203,811	1,203,811
Receivables			
Taxes and Special Assessments	112,679	84,267	196,946
Accounts	5,532	0	5,532
Accrued Interest	0	17,090	17,090
Intergovernmental	68,951	137,998	206,949
External Parties (Fiduciary Funds)	8,066	9,129	17,195
Note Receivable - Current	0	55,183	55,183
Total Current Assets	1,927,968	3,758,746	5,686,714
<u>OTHER ASSETS</u>			
Note Receivable - Non Current	0	38,727	38,727
<u>CAPITAL ASSETS</u>			
Land	1,020,910	0	1,020,910
Building and Grounds	1,000,808	0	1,000,808
Vehicles	700,119	0	700,119
Machinery and Equipment	214,295	0	214,295
Furniture and Fixtures	27,705	0	27,705
Computer Equipment	50,417	0	50,417
	3,014,254	0	3,014,254
Less Accumulated Depreciation	(811,437)	0	(811,437)
Net Capital Assets	2,202,817	0	2,202,817
TOTAL ASSETS	4,130,785	3,797,473	7,928,258
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	9,772	0	9,772
Note Payable - Current	80,937	0	80,937
Total Current Liabilities	90,709	0	90,709
<u>LONG-TERM LIABILITIES</u>			
Note Payable (Net of Current Portion)	214,863	0	214,863
TOTAL LIABILITIES	305,572	0	305,572
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	2,000,927	0	2,000,927
Restricted for Specific Purposes	862,634	0	862,634
Unrestricted	961,652	3,797,473	4,759,125
TOTAL NET ASSETS	\$ 3,825,213	\$ 3,797,473	\$ 7,622,686

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND	GRANTS AND	ACTIVITIES	ACTIVITIES	
			CONTRIBUTIONS	CONTRIBUTIONS			
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 75,407	\$ 0	\$ 0	\$ 0	\$ (75,407)	\$ 0	\$ (75,407)
General Government	272,398	42,747	0	0	(229,651)	0	(229,651)
Public Safety	242,641	51,990	6,306	0	(184,345)	0	(184,345)
Public Works	268,259	1,000	217,207	0	(50,052)	0	(50,052)
Community and Economic Development	20,703	5,545	0	0	(15,158)	0	(15,158)
Recreation and Culture	56,744	0	0	0	(56,744)	0	(56,744)
Other Functions	120,204	0	0	0	(120,204)	0	(120,204)
Total Governmental Activities	1,056,356	101,282	223,513	0	(731,561)	0	(731,561)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	2,951,210	0	0	0	0	(2,951,210)	(2,951,210)
TOTAL	\$ 4,007,566	\$ 101,282	\$ 223,513	\$ 0	(731,561)	(2,951,210)	(3,682,771)
<u>GENERAL REVENUES</u>							
Taxes					709,355	0	709,355
State Shared Revenue					296,996	0	296,996
Unrestricted Investment Earnings					62,827	147,261	210,088
Other					30,363	17,210	47,573
Total General Revenues					1,099,541	164,471	1,264,012
Change in Net Assets					367,980	(2,786,739)	(2,418,759)
<u>NET ASSETS</u> - Beginning of Year					3,457,233	6,584,212	10,041,445
<u>NET ASSETS</u> - End of Year					\$ 3,825,213	\$ 3,797,473	\$ 7,622,686

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2008

	GENERAL FUND	FIRE OPERATING FUND	TRASH FUND	ROADS FUND	FIRE EQUIPMENT FUND	TOTALS
<u>ASSETS</u>						
Cash	\$ 716,259	\$ 589,496	\$ 204,930	\$ 69,390	\$ 152,665	\$ 1,732,740
Accounts Receivable	5,532	0	0	0	0	5,532
Taxes and Special Assessments Receivable	30,981	30,495	31,060	10,210	9,933	112,679
Due from Other Funds	7,620	268	0	90	88	8,066
Due from Other Governments	68,951	0	0	0	0	68,951
TOTAL ASSETS	<u>\$ 829,343</u>	<u>\$ 620,259</u>	<u>\$ 235,990</u>	<u>\$ 79,690</u>	<u>\$ 162,686</u>	<u>\$ 1,927,968</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 9,772	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,772
<u>FUND BALANCE</u>						
Reserved for:						
Fire Protection	0	620,259	0	0	0	620,259
Refuse Collection	0	0	235,990	0	0	235,990
Road Improvements	0	0	0	79,690	0	79,690
Fire Equipment	0	0	0	0	162,686	162,686
Unreserved						
Undesignated	819,571	0	0	0	0	819,571
Total Fund Balance	<u>819,571</u>	<u>620,259</u>	<u>235,990</u>	<u>79,690</u>	<u>162,686</u>	<u>1,918,196</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 829,343</u>	<u>\$ 620,259</u>	<u>\$ 235,990</u>	<u>\$ 79,690</u>	<u>\$ 162,686</u>	<u>\$ 1,927,968</u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$ 1,918,196
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 1,020,910	
Building and Grounds	1,000,808	
Vehicles	700,119	
Machinery and Equipment	214,295	
Furniture and Fixtures	27,705	
Computer Equipment	50,417	
Accumulated Depreciation	<u>(811,437)</u>	2,202,817

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Notes Payable	<u>(295,800)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,825,213</u></u>
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The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	FIRE OPERATING FUND	TRASH FUND	ROADS FUND	FIRE EQUIPMENT FUND	TOTALS
<u>REVENUES</u>						
Taxes	\$ 338,357	\$ 223,417	\$ 0	\$ 74,806	\$ 72,775	\$ 709,355
Licenses and Permits	5,545	0	0	0	0	5,545
State Grants	303,302	0	0	3,630	0	306,932
Charges for Services	84,989	2,855	0	0	0	87,844
Fines and Forfeitures	5,625	0	0	0	0	5,625
Interest and Rents	29,987	22,520	6,466	1,594	4,530	65,097
Other Revenues	26,713	5,005	213,577	0	0	245,295
Total Revenues	794,518	253,797	220,043	80,030	77,305	1,425,693
<u>EXPENDITURES</u>						
Legislative	75,407	0	0	0	0	75,407
General Government	258,312	0	0	0	0	258,312
Public Safety	61,250	135,207	0	0	0	196,457
Public Works	31,696	0	220,378	13,520	0	265,594
Community and Economic Development	20,703	0	0	0	0	20,703
Recreation and Culture	52,946	0	0	0	0	52,946
Other Functions	115,779	0	0	0	0	115,779
Debt Service	0	0	0	58,000	0	58,000
Total Expenditures	616,093	135,207	220,378	71,520	0	1,043,198
Net Change in Fund Balance	178,425	118,590	(335)	8,510	77,305	382,495
<u>FUND BALANCE</u> - Beginning of Year	641,146	501,669	236,325	71,180	85,381	1,535,701
<u>FUND BALANCE</u> - End of Year	\$ 819,571	\$ 620,259	\$ 235,990	\$ 79,690	\$ 162,686	\$ 1,918,196

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 382,495
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(80,363)
Capital Outlay	16,324

In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balance by the cost of capital assets sold net of accumulated depreciation.

Governmental Funds - Loss on disposal of capital assets	
Subtract gross sale proceeds	(4,125)
Loss on the sale of capital assets	(25,312)

Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	<u>78,961</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 367,980</u></u>
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ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 2,251,268
Investments	1,203,811
Receivable	
Accrued Interest	17,090
Special Assessments	84,267
Intergovernmental	137,998
Note - Current	55,183
Due from Other Funds	<u>9,129</u>
Total Current Assets	3,758,746
<u>NONCURRENT ASSETS</u>	
<u>OTHER ASSETS</u>	
Note Receivable - Non Current	<u>38,727</u>
TOTAL ASSETS	<u><u>\$ 3,797,473</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	\$ 0
<u>NET ASSETS</u>	
Unrestricted	<u>3,797,473</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,797,473</u></u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

MARCH 31, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	<u>\$ 0</u>
<u>OPERATING EXPENSES</u>	
Contracted Services	66,086
Professional Services	550
Miscellaneous Expense	<u>7,965</u>
Total Operating Expenses	<u>74,601</u>
Operating Income (Loss)	<u>(74,601)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	147,261
Loss on Transfer of Sewer Capital Assets to Houghton Lake Sewer Authority	(2,876,609)
Realized Gain (Loss) on Investments	<u>17,210</u>
Total Nonoperating Revenues (Expenses)	<u>(2,712,138)</u>
Change in Net Assets	(2,786,739)
<u>NET ASSETS</u> - Beginning of Year	<u>6,584,212</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 3,797,473</u></u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 32,669
Cash Payments to Employees and Professional Contractors for Services	<u>(8,515)</u>
Net Cash Provided by Operating Activities	<u>24,154</u>
Cash Flows from Non-Capital Financing Activities:	
Receipts Under Interfund Loan Agreements	<u>53,575</u>
Cash Flows from Capital and Related Financing Activities:	
Special Assessments Receivable	<u>15,433</u>
Cash Flows from Investing Activities:	
Purchase of Investment Securities	(1,195,319)
Proceeds from Sale and Maturities of Investment Securities	825,000
Interest Received	<u>144,532</u>
Net Cash Provided by Operating Activities	<u>(225,787)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(132,625)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>2,383,893</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 2,251,268</u></u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ (74,601)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
(Increase) Decrease in Current Assets	
Accounts Receivable	120,892
Intergovernmental Receivable	(35,788)
Due from Other Funds	<u>13,651</u>
Total Adjustments	<u>98,755</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 24,154</u></u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2008

	<u>ASSETS</u>	<u>AGENCY FUNDS</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 21,573
		<hr/>
<u>LIABILITIES</u>		
Due to Other Governments		\$ 4,378
Due to Other Funds		17,195
		<hr/>
Total Liabilities		\$ 21,573
		<hr/>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Roscommon is a general law township of the State of Michigan, located in Roscommon County, Michigan. The Township of Roscommon operates under an elected Board and provides services to its residents in many areas including law enforcement, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Roscommon Township.

HOUGHTON LAKE BUILDING AGENCY

The Houghton Lake Building Agency operates in several Townships. Roscommon Township's portion of the Agency's activities are recorded in the General Fund.

B. Government-wide and Fund Financial Statements

The Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Roscommon Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Operating Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Trash Collection Fund* accounts for revenue sources that are related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

The *Roads Fund* is used to account for road maintenance and improvements. Revenues are derived primarily from property taxes collected for road maintenance and improvements.

The *Fire Equipment Fund* accounts for revenue sources that are legally restricted to expenditures for fire equipment.

Additionally Roscommon Township reports the following fund types:

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Township reports the Sewer Fund as an enterprise fund.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

The Treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

The prior approval of the Township Board, shall be required for the Treasurer to invest in any other lawful investment instruments. The Township Board's standard of prudence shall be the "fiduciary" standard, which shall be applied in context of managing an overall portfolio. The Township Board may authorize the Treasurer to invest in the following:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Repurchase agreements consisting of instruments listed above.

Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either or the following:

- (1) The purchase of securities on a when-issued or delayed delivery basis.
- (2) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
- (3) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

Obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.110 to 129.118.

The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141. to 129.150.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Roscommon Township totaled \$153,035,267, on which ad valorem taxes levied consisted of 1.2773 mills for Roscommon Township operating purposes, 1.4301 mills for Roscommon Township fire protection, 0.4659 mills for fire equipment, and 0.4789 mills for road improvement. These levies raised approximately \$195,472 for operating purposes, \$218,856 for fire protection, \$73,289 for road improvement and \$71,299 for fire equipment.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

The Township also passed a property tax assessment for the trash fund which raised approximately \$213,577.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and Grounds	20-50
Vehicles	5-20
Machinery and Equipment	5-20
Furniture and Fixtures	10
Computer Equipment	3-7

Roscommon Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 6, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
<u>General Fund</u>		
Assessor	\$ 50,355	\$ 51,575
Treasurer	42,190	45,013
Cemetery	28,050	41,233
Blight Enforcement	15,820	17,597
Street Lighting	29,894	31,696
Insurance and Bonds	80,900	81,152
Employee Benefits	34,419	34,627
<u>Trash Fund</u>		
Sanitation	219,364	220,378

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chase Bank, Chemical Bank and Northwestern Bank, all located in Houghton Lake, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, of the government's bank balance of \$5,215,934, \$4,465,744 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

The Township of Roscommon uses a common banking account to pool cash funds and enhance investment earnings. The various funds share at March 31, 2008, is as follows:

	<u>Common Checking</u>
General Fund	\$ 15,901
Road Fund	265
Fire Operating Fund	2,973
Fire Equipment Fund	679
Trash Fund	<u>2,471</u>
	<u><u>\$ 22,289</u></u>

Interfund borrowings are common and normally short term in nature. The investments are cashed if necessary to eliminate negative balances.

At March 31, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 1,732,740	\$ 2,251,268	\$ 21,573	\$ 4,005,581
Investments	<u>0</u>	<u>1,203,811</u>	<u>0</u>	<u>1,203,811</u>
	<u><u>\$ 1,732,740</u></u>	<u><u>\$ 3,455,079</u></u>	<u><u>\$ 21,573</u></u>	<u><u>\$ 5,209,392</u></u>

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

The breakdown between deposits and investments for the Township is as follows:

	Primary Government
Bank deposits (checking accounts and savings accounts)	\$ 27,765
Bank money market accounts	3,236,031
Certificates of deposit	278,657
Investments in bonds	1,666,789
Petty cash	150
	<u>\$ 5,209,392</u>

During the year ended March 31, 2008, the Township realized a net gain of \$2,500 from the sale of bond investments. The calculation of realized gains/losses are independent of the calculation of the net increase/decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Fire	Trash Fund	Roads Fund	Fire Equipment Fund	Total
Receivables						
Accounts	\$ 5,532	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,532
Taxes	30,981	30,495	0	10,210	9,933	81,619
Due from						
Other Government	68,951	0	0	0	0	68,951
Special Assessments						
Current	0	0	31,060	0	0	31,060
	<u>\$ 105,464</u>	<u>\$ 30,495</u>	<u>\$31,060</u>	<u>\$ 10,210</u>	<u>\$ 9,933</u>	<u>\$187,162</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 1,020,910	\$ 0	\$ 0	\$ 1,020,910
Capital assets, being depreciated				
Building and Grounds	984,484	16,324	0	1,000,808
Vehicles	700,119	0	0	700,119
Machinery and Equipment	250,096	0	35,801	214,295
Furniture and Fixtures	27,705	0	0	27,705
Computer Equipment	50,417	0	0	50,417
Total capital assets, being depreciated	2,012,821	16,324	35,801	1,993,344
Less accumulated depreciation for:				
Building and Grounds	252,741	20,749	0	273,490
Vehicles	365,416	30,431	0	395,847
Machinery and Equipment	87,797	20,181	6,364	101,614
Furniture and Fixtures	4,149	1,985	0	6,134
Computer Equipment	27,335	7,017	0	34,352
Total accumulated depreciation	737,438	80,363	6,364	811,437
Total capital assets, being depreciated, net	1,275,383	(64,039)	29,437	1,181,907
Governmental activities capital assets, net	\$ 2,296,293	\$ (64,039)	\$ 29,437	\$ 2,202,817

Business-Type Activities

Capital assets, not being depreciated				
Land	\$ 11,126	\$ 0	\$ 11,126	\$ 0
Capital assets, being depreciated				
Machinery and Equipment	4,494,793	0	4,494,793	0
Less accumulated depreciation for:				
Machinery and Equipment	1,629,310	0	1,629,310	0
Total capital assets, being depreciated, net	2,865,483	0	2,865,483	0
Business-type activities capital assets, net	\$ 2,876,609	\$ 0	\$ 2,876,609	\$ 0

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 27,716
Public Safety	46,184
Public Works	2,665
Recreation and Culture	<u>3,798</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 80,363</u></u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 7,620	\$ 0
Fire Operating Fund	268	0
Roads Fund	90	0
Fire Equipment Fund	88	0
Enterprise Funds		
Sewer	9,129	0
Fiduciary Funds		
Current Tax Collection Fund	<u>0</u>	<u>17,195</u>
	<u><u>\$ 17,195</u></u>	<u><u>\$ 17,195</u></u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended March 31, 2008, there were no interfund transfers.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2008:

	INSTALLMENT NOTES
Long-Term Debt Payable at April 1, 2007	\$ 374,761
New Debt Incurred	0
Debt Retired	(78,961)
	<hr/>
Long-Term Debt Payable at March 31, 2008	\$ 295,800
	<hr/>
Amount due within one year	\$ 80,937
	<hr/>

The Township's long-term debt consists of the following:

Installment Notes:

In April 2004, the Sewer fund loaned Roscommon Township \$250,000 for road improvement. The note is to be paid by the General Fund in annual installments of \$58,000 including interest at 3.00% through April 2009.

\$ 93,910

In March 2005, Roscommon Township entered into a land contract purchase contract with Chase Equipment Leasing for \$275,000 to purchase a parcel of Houghton Lakeshore property to construct a Township park. The loan is repayable in annual installments of \$34,294, including interest at 4.23% through March 2015.

201,890

\$ 295,800

The annual requirements to amortize debt outstanding as of March 31, 2008, are as follows:

Year Ending March 31,	Principal	Interest	Total
2009	\$ 80,937	\$ 11,357	\$ 92,294
2010	65,571	8,613	74,184
2011	27,979	6,315	34,294
2012	29,163	5,132	34,295
2013	30,396	3,898	34,294
2014-2015	61,754	3,884	65,638
	<hr/>		
	\$ 295,800	\$ 39,199	\$ 334,999
	<hr/>		<hr/>

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

NET ASSETS

Restricted

Special Revenue Funds

Special Purposes

\$ 862,634

FUND BALANCE

Reserved

Special Revenue Funds

Fire Fund

Fire Protection

\$ 620,259

Road Fund

Road Improvements

79,690

Fire Equipment Fund

Fire Equipment

162,686

Designated

Trash Fund

Designated for Township Improvements

235,990

TOTAL FUND BALANCE

RESERVATIONS AND DESIGNATIONS

\$ 1,098,625

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

B. Pension Plan

The Township of Roscommon contributes to a pension plan which is a defined contribution pension plan administered by the John Hancock company.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the completion of 1 year of service, all full-time and permanent part-time employees between the ages of 21-70 are eligible to participate in the plan. Contributions made by the Township and employees vest immediately. The participant will receive benefits upon termination of employment with the Township.

The plan requires the Township to contribute 10% of the eligible employee's wages. Additionally, each participant contributes 10-15% of their salary. During the year, the Township contributed \$16,485 to the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

C. Insurance

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Township participated in the Michigan Township Participating Plan, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage.

In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other potential losses, including employee health and accident insurance.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	GENERAL FUND			FIRE OPERATING FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 275,650	\$ 275,650	\$ 338,357	\$ 207,657	\$ 207,657	\$ 223,417
Licenses and Permits	4,640	4,640	5,545	0	0	0
State Grants	296,200	296,200	303,302	0	0	0
Charges for Services	92,430	93,630	84,989	0	0	2,855
Fines and Forfeitures	2,000	2,000	5,625	0	0	0
Interest and Rents	9,700	9,700	29,987	500	500	22,520
Other Revenues	2,000	7,000	26,713	0	0	5,005
Total Revenues	682,620	688,820	794,518	208,157	208,157	253,797
<u>EXPENDITURES</u>						
Legislative						
Township Board	96,933	93,933	75,407	0	0	0
General Government						
Supervisor	26,995	26,995	24,687	0	0	0
Election	7,100	7,100	5,509	0	0	0
Assessor	47,355	50,355	51,575	0	0	0
Clerk	44,745	44,745	44,368	0	0	0
Board of Review	2,160	2,160	1,597	0	0	0
Treasurer	40,990	42,190	45,013	0	0	0
Building and Grounds	55,405	55,405	35,321	0	0	0
Cemetery	28,050	28,050	41,233	0	0	0
Airport	14,470	14,470	9,009	0	0	0
Public Safety						
Fire	0	0	0	368,157	368,157	135,207
Traffic Control	1,000	1,000	141	0	0	0
Blight Enforcement	15,820	15,820	17,597	0	0	0
Building Inspection	63,379	63,879	43,512	0	0	0
Public Works						
Highways, Streets, Bridges	0	0	0	0	0	0
Street Lighting	29,894	29,894	31,696	0	0	0
Sanitation	0	0	0	0	0	0
Community and Economic Development						
Zoning	29,200	29,200	20,703	0	0	0
Recreation and Culture						
Parks	63,605	63,605	52,946	0	0	0
Other Functions						
Insurance and Bonds	80,900	80,900	81,152	0	0	0
Employee Benefits	34,419	34,419	34,627	0	0	0
Debt Service						
Principal	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Contingency	0	0	0	25,000	25,000	0
Total Expenditures	682,420	684,120	616,093	393,157	393,157	135,207
Net Change in Fund Balance	200	4,700	178,425	(185,000)	(185,000)	118,590
<u>FUND BALANCE</u> - Beginning of Year	0	0	641,146	185,000	185,000	501,669
<u>FUND BALANCE</u> - End of Year	\$ 200	\$ 4,700	\$ 819,571	\$ 0	\$ 0	\$ 620,259

YEAR ENDED MARCH 31, 2008

TRASH FUND			ROAD FUND			FIRE EQUIPMENT FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 0	\$ 69,545	\$ 69,545	\$ 74,806	\$ 67,660	\$ 67,660	\$ 72,775
0	0	0	0	0	0	0	0	0
0	0	0	2,000	2,000	3,630	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
2,763	2,763	6,466	0	0	1,594	0	0	4,530
192,879	192,879	213,577	0	0	0	0	0	0
195,642	195,642	220,043	71,545	71,545	80,030	67,660	67,660	77,305
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	81,660	81,660	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	14,545	14,545	13,520	0	0	0
0	0	0	0	0	0	0	0	0
219,364	219,364	220,378	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	53,575	53,575	53,575	0	0	0
0	0	0	4,425	4,425	4,425	0	0	0
11,278	11,278	0	0	0	0	0	0	0
230,642	230,642	220,378	72,545	72,545	71,520	81,660	81,660	0
(35,000)	(35,000)	(335)	(1,000)	(1,000)	8,510	(14,000)	(14,000)	77,305
35,000	35,000	236,325	1,000	1,000	71,180	14,000	14,000	85,381
\$ 0	\$ 0	\$ 235,990	\$ 0	\$ 0	\$ 79,690	\$ 0	\$ 0	\$ 162,686

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY
HOUGHTON LAKE MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2008

	BALANCE			BALANCE
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008
<hr/>				
<u>ASSETS</u>				
Cash	\$ 32,829	\$ 9,030,855	\$ 9,042,111	\$ 21,573
	<hr/>			
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 32,382	\$ 32,382	\$ 0
Due to Other Governments	2,088	3,735,482	3,733,192	4,378
Due to Other Funds	30,741	858,750	872,296	17,195
	<hr/>			
TOTAL LIABILITIES	\$ 32,829	\$ 4,626,614	\$ 4,637,870	\$ 21,573
	<hr/>			

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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www.bcbcpa.com

June 6, 2008

To the Township Board
Roscommon Township
Houghton Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roscommon Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Roscommon Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

1) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This report is intended solely for the information and use of the Township Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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June 6, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Roscommon Township
Roscommon County
Houghton Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Roscommon Township for the year ended March 31, 2008, and have issued our report thereon dated June 6, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 6, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Roscommon Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 6, 2008.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Roscommon Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

Old Outstanding Checks

During our audit we noted several old outstanding checks in the pooled bank account. We recommend that the Township investigate as to whether these checks were issued in error and should be voided, or are valid and should be reissued or escheated to the State of Michigan.

Fire Operating Fund

We recommend the Township board adopt a policy concerning writing off uncollectible fire run charges. We have discussed this with the Township Clerk in more detail.

Electronic Banking Policy

We recommend the Township adopt a policy related to electronic transfers between accounts within the township. This will strengthen the control over safeguarding of assets.

Approval of Adjusting Journal Entries

We recommend that all adjusting journal entries be approved by a member of the Township board independent of the person proposing the entry.

Budgeting

The Public Act 621 states that the budget document that the Township adopts include the following financial information:

- The actual results from the prior year;
- An estimate of the current year results;
- The proposed budget for the upcoming year;
- Amounts and contingencies, if appropriate; and
- The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

The Township's budget document does not contain all of the required information. Additionally, the Township is required to amend its budget before incurring expenditures that would otherwise exceed appropriations. For the year ended March 31, 2008, Township expenditures exceeded appropriations in certain activities.

Condition of Accounting Records

The records were found to be in good condition and we appreciate the assistance the Township provided us in completing the annual audit. We encourage you to continuously evaluate your internal controls and closely monitor your system on a regular basis.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.